

CAPITAL CONSTRUCTION GOALS AND ACCOUNTABILITY COMMITTEE
May 20, 2015
SCHOOL BOARD ADMINISTRATION BUILDING

Committee Members in Attendance:

Mr. Steve Elswick
Mr. Dan Gecker
Ms. Carrie Coyner
Ms. Dianne Smith
Dr. Edgar Wallin

Mr. Allan Carmody
Mr. John Hilliard
Mr. Randy Holmes
Ms. Barbara Mait
Mr. Andy Scherzer
Mr. Chris Sorensen

Others in Attendance:

Dr. Marcus Newsome
Mr. Jay Stegmaier

Ms. Coyner called the meeting to order at 1 p.m.

A. OPENING REMARKS

There were no opening remarks.

B. APPROVAL OF AGENDA

Ms. Coyner noted that the agenda includes a closed session that the committee would have to enter into to discuss cost items related to the Monacan High School project since the contract has not yet been awarded.

Mr. Gecker requested that the Monacan High School item be addressed publicly before the committee going into closed session. He also requested that Item E.4., Derivation of School Project Budgets, be moved up on the agenda and made a motion for Item E.4., Derivation of School Project Budgets, to be moved to the first item under New Business.

On motion of Ms. Smith, seconded by Ms. Mait, the agenda was unanimously approved, as amended.

C. APPROVAL OF COMMITTEE MEETING MINUTES/ACTION ITEMS

On motion of Mr. Carmody, seconded by Mr. Elswick, the minutes of the April 13 regular meeting and the May 8 special meeting and the action items from the April 13 regular meeting were unanimously approved, as submitted.

D. OLD BUSINESS

1. PAST ACTION ITEMS

Mr. Carmody noted that an additional column had been added to the action items chart to provide the action taken/status. He also reviewed outstanding items.

2. MONACAN HIGH SCHOOL

a. PUBLIC DISCUSSION

Mr. Sorensen provided an update on the Monacan High School project to respond to questions raised at the May 8 special meeting. He stated there is no formal record, either from the school division requesting information from the architect, or from the architect providing information to the school division. He stated the school division was informed in June 2014 that there would be a fee increase for architectural services due to the scope of changes.

Mr. Gecker inquired whether there may have been an informal communication between the architect and the school division about the increase in cost, and Mr. Roger Richardson, the architect, responded, “yes.”

Mr. Sorensen provided a list of changes in the scope of work for the Monacan project, versus the Midlothian High School project. He stated most of the changes are required, and only a couple of the components are optional.

Regarding the optional drinking fountains replacement, Ms. Coyner stated the goal is for children to drink more water, and the drinking fountains are being slowly replaced throughout the school division with refillable stations, so she does not consider this to be an optional change.

Mr. Gecker stated he does not think anyone would suggest not replacing the tennis courts, so that would no longer be considered optional. He further stated the closed session discussion would be whether to spend the additional money to light the tennis courts, and he does not see the need for a closed session unless the committee is so inclined.

Ms. Coyner stated questions about the actual cost breakdown of different aspects of the project could be responded to in closed session to increase the confidence level of the committee members before the contract is awarded.

Mr. Gecker stated the fundamental question is whether the overall bid is out of range, and the architect indicated at the previous meeting that it is not out of range and was competitively bid, and that the “miss” here was in the original cost estimate and not in the bids. He further stated he is willing to go into closed session, although he does not want to inconvenience all who were attending the meeting to participate in the process.

Discussion ensued relative to the library renovation portion of the project for an HVAC system.

Dr. Wallin stated it is important for the committee members to thoroughly understand the components and scope of the project.

Ms. Mait stated a closed session is needed to provide all of the facts and data.

On motion of Mr. Scherzer, seconded by Mr. Hilliard, the committee unanimously voted to go into closed session in accordance with Section 2.2-3711.A of the Code of Virginia, the Virginia Freedom of Information Act, and specifically under subsection 29, to discuss the award of a public contract involving the expenditure of public funds, including interviews of bidders or

offerors, and discuss the terms or scope of such contract, where discussion in an open session would adversely affect the bargaining position or negotiating strategy of the public body.

Reconvening:

On motion of Mr. Hilliard, seconded by Ms. Coyner, the following resolution was adopted by the committee:

Now, therefore, be it resolved that the Capital Construction Goals and Accountability Committee hereby certifies that, to the best of each member's knowledge (i) only public business matters lawfully exempted from opening meeting requirements by Virginia law were discussed in the closed meeting to which this certification resolution applies, and (ii) only such public business matters as were identified in the motion convening the closed meeting were heard, discussed, or considered by the committee.

Yes: Mr. Elswick
Yes: Mr. Gecker
Yes: Ms. Coyner
Yes: Ms. Smith
Yes: Dr. Wallin
Yes: Mr. Carmody
Yes: Mr. Hilliard
Yes: Mr. Holmes
Yes: Ms. Mait
Yes: Mr. Scherzer
Yes: Mr. Sorensen

Mr. Coyner inquired whether there was a recommendation from the committee regarding the Monacan High School project.

Mr. Gecker stated a philosophy has been adopted in the county and in the schools of providing parity and equity in our system, and to not move forward with the Monacan plan would violate that philosophy. He further stated he understands there are one or two items that might be considered optional, but everything on the list is needed to meet the goal of parity. He stated he is convinced within a reasonable level of comfort that the pricing on the building is where it ought to be, noting that the differences in price between this project and the Midlothian High School project can largely be explained by the additions in scope required for the difference in this site.

Mr. Gecker then made a motion, seconded by Ms. Smith, for the Monacan High School project to proceed as currently scoped.

Mr. Elswick noted that parity does not mean building "cookie-cutter" schools, but parity in what is being delivered inside the facilities.

Discussion ensued relative to parity in delivering the same education within each of the schools in the community.

Dr. Wallin stated each school has unique needs based on the demographics of the community. He further stated some feel strongly that schools should be a reflection of the priorities of the communities being served, and to state that all schools need exactly the same building is misleading to the public. He stated this is not necessarily what is before the committee with the Monacan project, but he does believe the committee needs to have some healthy debate moving forward regarding expectations for parity.

Mr. Gecker stated it was clearly the advice of the Planning Commission and the School Board and the adoption by the full Board of Supervisors in 2012 of the Countywide Comprehensive Plan, that it is the established policy of the county to provide parity and equity in schools, parity meaning equality of facilities and equity meaning equality in opportunity. He further stated the ability to educate our children in the county ought to be the same in all of the buildings.

Dr. Wallin stated he does not disagree that parity means the ability to provide educational opportunities, but would like at some point to further discuss the issue of buildings creating parity.

Ms. Coyner called for a vote and Mr. Gecker's motion, seconded by Ms. Smith, for the Monacan High School project to proceed as currently scoped was unanimously approved.

E. NEW BUSINESS

1. DERIVATION OF SCHOOL PROJECT BUDGETS

Mr. Sorensen provided a presentation related to the derivation of school project budgets. He stated a comprehensive facilities assessment was conducted in 2010 to identify schools that needed renovation/revitalization.

Ms. Coyner stated, in addition to maintenance and renovation needs, the list of schools was also aligned with the Comprehensive Plan areas for revitalization; therefore, some schools in the areas where revitalization efforts are taking place may have been moved up on the list.

Mr. Sorensen stated staff worked with the architect to develop per square foot dollar amounts in 2013 based on the architect's database, and those amounts were adjusted 2 percent annually to develop the project budgets with a 5-year plan, which was adopted by the School Board in February 2013. He further stated in April 2013, the School Board asked for the Bond Referendum and the Board of Supervisors extended the time period for school projects to seven years.

Mr. Carmody stated the assumptions in the 5-year plan were aggressive in terms of the bonded amounts. He further stated that would have left the School Board with a decision to choose between debt service and/or operations in order to deliver that program in five years.

Ms. Coyner stated at that time the 5-year plan was developed, the School Board was anticipating that there might be possible additional revenue to allow that. She further stated there are also other schools with aging infrastructure needs, and the School Board wanted to complete the revitalization projects as quickly as possible to then address other needs.

Mr. Sorensen stated in February 2014, the School Board adopted a 7-year CIP, and the Board of Supervisors subsequently approved the same dollar amount but in a 9-year plan, which was later approved by the School Board in August 2014. He further stated no changes were made to the project budgets for continuing inflation.

Mr. Carmody noted only two projects were extended to nine years, so those would be the only projects that needed additional inflation.

In response to Mr. Elswick's question relative to the process for developing the budgets and whether the committee should be concerned about the budgeted amounts for the additional projects, Mr. Scherzer stated he is unsure of the detail of the scope of the projects. He inquired whether there is a way to improve on the scope evaluations and at what time should that occur in order to better communicate the reality of the budgets.

Dr. Newsome stated it is also important to note that additional seats were not included.

Mr. Holmes stated there is an important distinction that needs to be made – the projects were looked at as a revitalization program to keep the facilities at a reasonable functional level. He noted that education is changing, and the county has a goal to continue to improve education across the county. He stated there is a difference between revitalization and improvements and inquired whether a similar budget has been established for improvements. He stated the proposed budgets only get the facilities up to a modern baseline standing, but do not provide seating or the newest modules for team teaching, as opposed to conventional construction.

Dr. Newsome stated the proposal is what was presented during the bond referendum.

Mr. Holmes stated, if the proposed projects were budgeted based on the bond referendum, then you cannot expect additional improvements. He further stated whenever a construction project begins, you need to put into it whatever improvements you feel are necessary to bring that school to some idea of parity, so there is a natural inclination to add to any construction project those things that are felt essential to bring that project to the current standard of teaching around the county. He stated this is the struggle the committee will face with the projects if nothing has been budgeted for improvements. He further stated a reconciliation of these things needs to somehow be worked into projects so that the scope can be identified between improvements and revitalization and how the budget accommodates for those things as much as it reasonably can.

Dr. Newsome stated about two years prior to this, the School Board had to decrease its CIP by nearly \$150 million due to the recession. He further stated he believes that climate also led to this type of philosophy.

Mr. Elswick stated we may not be modernizing every room to today's standards, but we are upgrading the teaching capabilities.

Mr. Holmes stated the projects were identified and budgets developed through a very logical, well-done process with good consultants responding to how to make our schools survive for another 20 or 30 years of life and the bond referendum addressed that. He further stated the question is, how much improvement can be put into a budget that is set up primarily for revitalization.

Mr. Gecker inquired how the budgeted amount for the Monacan project was missed so badly when the information was obviously available a year prior to the CIP adoption; where was the lack of communication; and how do we fix this moving forward so that similar situations do not arise.

Ms. Coyner stated it goes back to the construction process as information is transferred, which is part of the action plan that the committee may not have time to discuss today.

Mr. Gecker stated he considers this issue part of the derivation of budgeted amounts and would like an understanding of how the Monacan project was derived and whether the school division has worked with the architect to revise that budget going forward so that the boards would have the most current information.

Dr. Newsome stated there is a formal document that he and School Board members received, which was never developed in this process.

Mr. Gecker inquired why that was the case since the school division knew the Midlothian project came in higher than originally thought and that was the baseline number for Monacan. He stated once that changed, the Monacan budget should have changed to at least the difference between the forecast and the actual for the Midlothian project. He further stated it appears that at least there were some informal communications regarding increased scope, which would indicate to most construction people increased costs. He stated he just wants to understand how this happened and how it can be fixed internally moving forward.

Dr. Newsome stated Internal Audit revealed a breach in the process, and as a result, he presented the School Board with a plan of action where he will be held accountable to assure that processes are in place that start with aligning the school division's processes, including the records management process with the county's processes. He further stated job descriptions have been redefined, and a recommendation has been made to hire a Chief Operations Officer who will be held accountable for assuring that the processes are improved. He stated the Assistant to the Superintendent has now been assigned to follow up on every audit, and a recommendation is coming to the School Board for a new Director of School Construction who has a broad range of knowledge and background experience. He further stated the construction department has not had an electronic records management process, but will move towards this with change orders and proposals being readily available. He stated a recommendation will also be made to the School Board that a third party independent construction management consultant be hired to benchmark our practices against national best practices to assure that problems that were found in the audit no longer occur.

Mr. Gecker stated the audit indicated to him that the records were not sufficient to audit, but his concern is which department generates the amount that was budgeted for the Monacan High School project and other bond referendum projects.

Ms. Coyner stated that would be the Construction Department.

Discussion ensued relative to refining estimates of budgeted amounts prior to CIP adoption and correcting the processes to ensure that this occurs for future projects.

In response to Mr. Gecker's question, Mr. Carmody stated on the county side, it is a joint effort, whereby budget staff interacts with departments through the budget development cycle to ensure that each CIP project is reviewed and updates proposed, if necessary.

Mr. Gecker stated he does not see the fix as hiring someone else to make sure that people are doing what they are supposed to be doing, but to hire people who will do what they are supposed to do.

Ms. Mait concurred with Mr. Gecker and stressed the need to identify the root cause of the issue and how it can be fixed.

Dr. Wallin stated he has reviewed the reorganization plan, and it appeared that there were not enough people and additional people needed to be hired. He further stated, if that is true, then the question is, how much are these additional people going to cost and how many new positions are there. He stated there are a variety of things that can be looked at, but this information is necessary before moving forward.

Ms. Smith stated there needs to be a process and knowledge of how to drive that process forward, which would be determined by the independent consultant.

Dr. Wallin inquired whether the school division would be hiring additional people and then asking the consultant whether the right decision was made.

Dr. Newsome stated the proposal had one additional position and changes in job descriptions for several positions. He further stated the audit indicated that the county had someone who was specifically focused on procurement, and the school system did not have that, so job descriptions have been revised to include that responsibility in the process.

In response to Mr. Elswick's question regarding notifying anyone of the increase in the Monacan project, architect Roger Robertson stated he always works directly with the Construction Department.

Mr. Gecker inquired how there are not enough people with Schools taking 3 percent of the bond proceeds for management, which equates to \$800,000-\$900,000 per year over the life of the bond issue.

Dr. Newsome stated there is no recommendation for additional people in the Construction Department.

Ms. Coyner stated job descriptions are being changed so that employees will be accountable. She further stated the School Board asked the Superintendent to look at the entire department to see what is and what is not working well, and that is what the action plan addresses. She apologized for time constraints and stated the Manchester Middle School Project presentation will be given tonight at 6:30 p.m. She stated that presentation will be captured on the web site.

Mr. Bill Dupler stated he does not believe there are plans to record tonight's event, but the presentation and the speakers' notes, as well as questions asked at the meeting and answers, will be posted on the web site after the meeting.

Ms. Coyner stated it should not be difficult to record the meeting.

Mr. Dupler stated staff will provide an audio recording of tonight's meeting.

6. NEXT MEETING AGENDA TOPICS

Ms. Coyner stated the next meeting agenda topics will include items from today's agenda that were not discussed.

F. ADJOURNMENT

On motion of Mr. Gecker, seconded by Ms. Smith, the meeting adjourned the meeting at 2:30 p.m.